

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS

JUNE 30, 2015 AND 2014

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Independent Auditors' Report

The Honorable Patrick L. McCrory
Governor of North Carolina
State Board of Examiners of Electrical Contractors
The General Assembly of North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the State Board of Examiners of Electrical Contractors as of and for the years ended June 30, 2015 and 2014 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the State Board of Examiners of Electrical Contractors as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the State Board of Examiners of Electrical Contractors and do not purport to, and do not present fairly the financial position of the State of North Carolina, as of June 30, 2015 and June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that certain disclosures concerning other postemployment benefits be presented as required supplementary information (see page 17) to the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The required supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and we have applied certain limited procedures, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 17, 2015 and September 10, 2014 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Garnett, Dodd & Associates, Ltd.

Durham, North Carolina
September 17, 2015

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
STATEMENTS OF NET POSITION
ENTERPRISE FUND
JUNE 30,

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 788,793	\$ 427,575
Certificates of deposit and bank money market funds	<u>555,137</u>	<u>810,548</u>
Total	1,343,930	1,238,123
Inventory (Note 10)	191,912	303,431
Prepaid expense (Note 6)	21,318	53,438
Other	<u>-</u>	<u>2,612</u>
Total Current Assets	1,557,160	1,597,604
Noncurrent assets:		
Capital assets (Note 8)		
Furniture and equipment	865,529	858,575
Vehicles	<u>155,845</u>	<u>153,987</u>
Less accumulated depreciation	1,021,374	1,012,562
Total Noncurrent Assets	<u>966,307</u>	<u>980,451</u>
Total Assets	<u>55,067</u>	<u>32,111</u>
	<u>1,612,227</u>	<u>1,629,715</u>
LIABILITIES		
Current liabilities		
Accounts payable	38,618	19,707
Accrued vacation (Note 9)	<u>44,001</u>	<u>42,490</u>
Total Current Liabilities	82,619	62,197
Long-term liabilities		
Liability for postemployment benefits other than pensions (Note 5)	186,925	148,869
Accrued vacation	<u>19,320</u>	<u>9,891</u>
Total Long-term liabilities	<u>206,245</u>	<u>158,760</u>
Total Liabilities	288,864	220,957
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	773,854	756,262
NET POSITION		
Net Investment in capital assets	55,067	32,111
Unrestricted (Note 6)	<u>494,442</u>	<u>620,385</u>
Total Net Position	<u>\$ 549,509</u>	<u>\$ 652,496</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND
JUNE 30,

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Charges for services:		
License fees	\$ 1,304,288	\$ 1,309,202
Examination and application fees	94,235	96,515
Code books	89,176	150,794
Construction guides		9,360
Administrative fees	45,155	45,600
Other	36,169	17,559
Total operating revenues	<u>1,569,023</u>	<u>1,629,030</u>
OPERATING EXPENSES		
Office rent (Note 3)	57,948	56,809
Telecommunications	8,716	13,714
Insurance	125,204	134,921
Postage	7,888	27,063
Office supplies	19,290	21,019
Equipment maintenance	38,796	42,213
Outside printing	21,486	26,710
Depreciation	36,378	34,702
Audit expense	6,200	6,100
Board member expense	40,110	38,524
Staff expense	68,557	66,835
Legal fees	181,483	142,509
Salaries and temporary labor	689,309	737,129
Payroll taxes	46,843	53,901
Retirement (Note 4)	41,476	59,360
Postemployment benefits other than pensions (Note 5)	42,187	34,030
Sales tax	5,696	10,241
Dues and publications	4,144	2,646
Exam expense	50,995	52,120
Payroll services	2,922	2,984
Accounting services	11,100	11,100
Miscellaneous	2,468	7,277
Costs:		
Code books	111,519	131,005
Construction guides		4,626
Credit Card Transaction Fees	37,522	35,245
Background searches	6,281	7,168
Engineering Foundation (Note 7)		
Civil penalties	11,808	6,225
Total operating expenses	<u>1,676,326</u>	<u>1,766,176</u>
Operating loss	\$ (107,303)	\$ (137,146)

See Independent Auditors' Report and Notes to Financial Statements

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND
JUNE 30,

	<u>2015</u>	<u>2014</u>
NONOPERATING REVENUES (EXPENSES):		
Interest Income	\$ 4,316	\$ 8,896
Nonoperating revenues (expenses)	<u>4,316</u>	<u>8,896</u>
Change in net position	(102,987)	(128,250)
Unrestricted net position - beginning	<u>652,496</u>	<u>780,746</u>
Unrestricted net position - ending	<u><u>\$ 549,509</u></u>	<u><u>\$ 652,496</u></u>

See Independent Auditors' Report and Notes to Financial Statements

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
STATEMENTS OF CASH FLOWS
ENTERPRISE FUND
JUNE 30,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from licensees and applicants	\$ 1,304,288	\$ 1,309,202
Cash received from others	264,735	319,828
Cash paid to employees and professionals	(877,152)	(910,533)
Cash paid to suppliers	(531,046)	(746,743)
Net cash flows from operating activities	<u>160,825</u>	<u>(28,246)</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(59,334)	(13,212)
Cash flows from investing activities		
(Increase in) reduction of certificates of deposit and money markets	255,411	247,819
Receipt of interest income	4,316	8,896
Net cash flows from investment activities	<u>259,727</u>	<u>256,715</u>
Net change in cash and cash equivalents	361,218	215,257
Cash and cash equivalents - beginning	<u>427,575</u>	<u>212,318</u>
Cash and cash equivalents - ending	<u>\$ 788,793</u>	<u>\$ 427,575</u>
Reconciliation of operating income to net cash flows from operating activities		
Operating (loss)	\$ (107,303)	\$ (137,146)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	36,378	34,702
Changes in assets and liabilities:		
Decrease in inventory	111,519	(100,884)
Decrease in prepaid expenses	32,120	217,226
Increase in accounts payable	18,911	(48,935)
Increase in accrued vacation	10,940	(13,695)
Increase in unearned revenue	17,592	(7,062)
Increase in liability for postemployment benefits	38,056	30,160
Decrease in other	2,612	(2,612)
Net cash provided by (used in) operating activities	<u>\$ 160,825</u>	<u>\$ (28,246)</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 1 – Summary of Significant Accounting Policies

Description of Organization

The State Board of Examiners of Electrical Contractors (the Board) is an occupational licensing board and is authorized under Chapter 87 of the North Carolina General Statutes.

Financial Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's *Comprehensive Annual Financial Report* (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

Basis of Presentation

The statement of net position reflects all assets including long-term assets, and all obligations including long-term obligations.

The statement of revenues, expenses and changes in net position presents a comparison between direct expenses and program revenues of the Board. Primary revenues include fees and other charges paid by licensees.

Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, the Board's accounts are maintained during the year using the modified accrual basis of accounting. However, at year-end, financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when cash flows take place.

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Inflows of Resources

Unearned revenues consist principally of license fees collected in advance and sales of code books collected in advance, if any.

Capital Assets

Capital assets are defined by the Board as assets with an initial individual cost of \$300 or more and an estimated useful life of more than two years. Purchased assets are reported at cost. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are expensed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	5 - 10
Computer equipment	3 - 4
Vehicles	4 - 5

Accrued Vacation

The vacation leave policy of the Board provides for accumulation of earned vacation leave with such leave being fully vested when earned. Because vacation leave is payable to employees at termination, a liability for the outstanding balances has been recorded. That portion of accrued vacation that is estimated to be used in the next fiscal year has been designated as a current liability in the financial statements (first-in, first-out method of using accumulated time).

Postemployment Benefits Other Than Pensions

The Board provides healthcare benefits to retirees who have reached certain combinations of age and years of service as more fully described in Note 5.

Net Position

Net position in the financial statements reflects net investments in capital assets, and unrestricted amounts.

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 1 - continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Board considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Definition of Operating Versus Non-Operating Revenues

Operating revenues are considered to be all revenues directly related to the provision of services. All other revenues are considered non-operating.

Note 2 – Deposits and Investments

The Board maintains cash balances, money market accounts and certificates of deposit at several financial institutions in Raleigh, North Carolina. Money market accounts and certificates of deposit have a book and market value of \$964,733 at June 30, 2015. Certificates of deposit have varying interest rates and staggered maturities over the next year.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits may not be returned to it. The Board does not have a formal deposit policy for custodial credit risk. As of June 30, 2015 there was custodial credit risk on the Board's bank deposits in the amount of \$17,269.

Note 3 – Operating Leases

The Board leases office space under a lease expiring in August, 2016. Future minimum lease commitments are as follows:

Year Ending	
<u>June 30,</u>	<u>Amount</u>
2016	58,915
2017	60,301
2018	61,808
2019	<u>10,343</u>
	<u>\$191,367</u>

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 4 – Pension Plans

Defined Benefit

The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS). The plan is a cost-sharing, multiple-employer, defined benefit plan to provide pension benefits for those employees, including one employee of the State Board of Examiners of Electrical Contractors. That employee retired effective June 30, 2014. Net pension liability, pension expense and any deferred inflows or outflows of resources under GASB Statement 68, Accounting and Financial Reporting for Pensions, were not deemed material to the June 30, 2015 financial statements and have not been recorded. Pension expense for June 30, 2015 and 2014 were \$0 and \$13,631, respectively.

Defined Contribution Plan

The Board and its employees along with seven other licensing boards, are participants in the North Carolina Licensing Boards Retirement Plan, a 401(k) defined contributions plan covering eligible employees. The plan requires a mandatory employee contribution equal to 6% of each participant's compensation. In addition, the employer is required to make a contribution equal to 6% of each participant's compensation for the year. Employee contributions are fully vested at all times. Employees are eligible to participate in the retirement plan on the date of employment. Vesting of employer contributions begins at the completion of one year of service (20%) and increases an additional 20% per year until reaching 100% vesting in year five. Normal retirement age is deemed to be age 65. Benefits are distributed to participants pursuant to the election of the plan participant.

For the years ended June 30, 2015 and 2014 the Board contributed \$41,475 and \$45,529, respectively. There were no employer liabilities to the North Carolina Licensing Boards Retirement Plan at June 30, 2015 or 2014.

Note 5 – Postemployment Benefits Other Than Pensions

Plan Description. The Board has a defined benefit healthcare plan in place for retirees who meet certain conditions. The plan provides lifetime healthcare insurance for eligible retirees through the Board's group health insurance plan which covers both active and retired employees. Employees retiring on or after age sixty and having at least ten, but less than twenty, years of Board service are eligible for health insurance provided by the Board by paying 50% of the health insurance premium. Employees retiring on or after age sixty and having completed twenty or more years of Board service are eligible for health insurance paid entirely by the Board. Employees retiring after completion of thirty years of service at any age are eligible for health insurance paid entirely by the Board. When a retiree becomes eligible for Medicare, the Board will pay the cost of

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 5 – Postemployment Benefits Other Than Pensions

supplemental insurance coverage based on the above criteria. Family members may be covered at the retiree's expense.

Funding Policy. The Board operates its healthcare plan on a “pay-as-you-go” basis. For the year ended June 30, 2015, the Board contributed \$4,131 for healthcare coverage for retirees. In 2014, total retiree contributions were \$3,870.

Annual OPEB Cost and Net OPEB Obligation. The Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Board has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total participants. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes to the Board's net OPEB obligation to the plan.

	<u>2015</u>	<u>2014</u>
Annual required contribution	\$37,721	\$30,469
Interest on net OPEB obligation	4,466	3,561
Adjustment to annual required contribution		
Annual OPEB cost (expense)	42,187	34,030
Contributions made	(4,131)	(3,870)
Increase in net OPEB obligation	38,056	30,160
Net OPEB obligation – beginning of year	<u>148,869</u>	<u>118,709</u>
Net OPEB obligation – end of year	<u>\$186,925</u>	<u>\$148,869</u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the preceding fiscal year were as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
6/30/14	\$34,030	10%	\$148,869
6/30/15	42,187	9.8%	186,924

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 5 – Postemployment Benefits Other Than Pensions

Funded Status and Funding Progress. As of June 30, 2015, the actuarial accrued liability for benefits was \$321,460, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – The retirement age is assumed to be age 60 with the requisite years of service unless employment has already continued beyond age 60 or after 30 years of service is reached if not yet age 60.

Mortality – Life expectancies were based on mortality tables from the National Vital Statistics Reports, Volume 58, number 21 published June 28, 2010. The United States Life Tables for Males and for Females were used.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. Rates ranged from 3.4% to 9.4% from 2010 to 2020 and beyond.

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 5 – Postemployment Benefits Other Than Pensions

Health insurance premiums – 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Based on the historical and expected returns of the Board's short-term investment portfolio, a discount rate of 3.0 percent was used. In addition, the unit credit cost method was used for actuarial calculations because payroll is not a factor in determining benefits. The unfunded actuarial accrued liability is being amortized as a level dollar amount. The remaining amortization period at June 30, 2015, was twenty five years.

Note 6 – Net Position

The Board has adopted the following policies in order to assure that all expenses of the Board for the current fiscal year be fully provided for:

- a) In an effort to provide resources to replace existing fixed assets, the Board assigns funds equal to a calculated amount of the annual depreciation. This reserve is cumulative (currently \$323,421) and is reduced by the purchase of replacement assets. In response to GASB 51, agencies and component units of the State of North Carolina will follow new capitalization thresholds for intangible assets, including internally generated computer software, effective July 1, 2009. Because the threshold becomes \$1,000,000 in the future and major upgrades to software have been completed, it is highly unlikely that resources will be called upon to replace computer software that would amount to more than \$1,000,000 or to replace office upfitting for its existing facilities.
- b) Reserves of net position for prepaid expenses. At June 30, 2015, net position reserved for prepaid expenses consists principally of insurance and conference fees.
- c) The Board reserves net position for inventory. At June 30, 2015, the Board reserved \$191,912 for code books.
- d) During the fiscal year ended June 30, 1999, the Board approved establishing a reserve of \$2,000 per year for retiree health and hospitalization insurance. For June 30, 2012, the reserve was increased by \$4,000 to \$32,000. However, Government Accounting Standards Board (GASB) Statement 45, Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions, has become effective. GASB Statement 45 requires that the annual required contribution, as actuarially calculated, be recorded in the statement of revenues, expenses and changes in net position and any corresponding other postemployment benefit (OPEB) liability be recognized on the statement of net position, minus any benefits paid out. Accordingly, the retiree health insurance reserve does not measure the obligation for future benefits, but does recognize that future benefits must be provided.

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 6 – continued

Unrestricted net position is summarized as follows:

	<u>June 30</u>	
	<u>2015</u>	<u>2014</u>
Designated		
Replacement of capital assets	\$323,421	345,847
Prepaid expenses	21,318	53,438
Inventory	191,912	303,431
Retiree insurance	<u>32,000</u>	<u>32,000</u>
	568,651	734,716
Unrestricted	<u>(74,209)</u>	<u>(114,331)</u>
	<u>\$494,442</u>	<u>\$620,385</u>

Note 7 – Amount Due Engineering Foundation, Inc.

Chapter 87, Article 45 of the General Statutes provides that the Board shall retain no more than 20% of the prior year's gross revenue after providing for payment of prior year liabilities and designated amounts to purchase code books and replace existing fixed assets. The excess funds shall be turned over to the North Carolina Engineering Foundation, Inc. for the benefit of the Electrical Engineering Department of the Greater University of North Carolina.

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Enterprise fund assets	\$1,557,160	\$1,597,604
Less:		
Liabilities exclusive of amount due		
Engineering Foundation, Inc.	(812,472)	(775,969)
Reserve for retiree health insurance	(32,000)	(32,000)
Amount expended for code book inventory	(191,912)	(303,430)
Amount designated for replacement of existing fixed assets	<u>(323,421)</u>	<u>(345,847)</u>
	197,355	140,358
Not more than 20% of annual total revenue	<u>314,668</u>	<u>327,585</u>
Amount due Engineering Foundation, Inc.	<u>\$ 0</u>	<u>\$ 0</u>

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 8 – Capital Assets

Changes in capital assets for the year ended June 30, 2015 were as follows:

	ASSETS			
	June 30, <u>2014</u>	<u>Additions</u>	<u>Retirements</u>	June 30, <u>2015</u>
Furniture and equipment	\$ 858,575	\$ 6,954		\$ 865,529
Vehicles	<u>153,987</u>	<u>52,381</u>	<u>\$50,522</u>	<u>155,845</u>
	<u>\$1,012,562</u>	<u>\$59,335</u>	<u>\$50,522</u>	<u>\$1,021,374</u>

	RESERVES			
	June 30, <u>2014</u>	Depreciation <u>Expense</u>	<u>Retirements</u>	June 30, <u>2015</u>
Furniture and equipment	\$836,253	\$16,113		\$852,366
Vehicles	<u>144,198</u>	<u>20,265</u>	<u>\$50,522</u>	<u>113,941</u>
	<u>\$980,451</u>	<u>\$36,378</u>	<u>\$50,522</u>	<u>\$966,307</u>

Note 9 – Accrued Vacation

Accrued vacation is summarized for June 30, 2015 as follows:

	June 30, <u>2014</u>	<u>Additions</u>	<u>Usage</u>	June 30, <u>2015</u>
Accrued vacation liability	\$52,381	\$54,941	\$44,001	\$63,321

The current portion of accrued vacation at June 30, 2015 is estimated at \$44,001.

Note 10 – Inventories

Inventory includes code books which are purchased by electrical contractors from the Board. Inventory is carried at net realizable value.

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
 REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2015 AND 2014

Schedule of Funding Progress
 For Retiree Health Insurance

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Simplified Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)
6/30/10	0	\$238,721	\$238,721	0
6/30/11	0	269,907	268,568	0
6/30/12	0	269,907	261,661	0
06/30/13	0	269,907	256,609	0
06/30/14	0	287,515	270,347	0
06/30/15	0	342,759	321,460	0



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

State Board of Examiners of Electrical Contractors
Raleigh, North Carolina

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Board of Examiners of Electrical Contractors (Board) as of and for the years ended June 30, 2015 and June 30, 2014 and the related notes to the financial statements and have issued our report thereon dated September 17, 2015 and September 10, 2014.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Board's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material* weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GARRETT, DODD & ASSOCIATES, LTD.

Garrett, Dodd & Associates, Ltd.

Durham, North Carolina
September 17, 2015